PROVINCE OF SASKATCHEWAN

10-11

ANNUAL REPORT

SASKATCHEWAN GRAIN CAR CORPORATION

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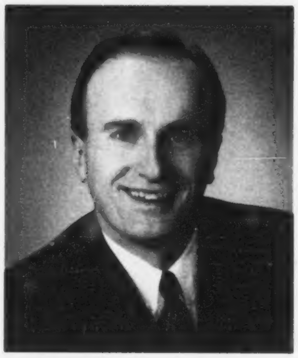

October 7, 2011

His Honour the Honourable Dr. Gordon L. Barnhart,
Lieutenant-Governor of Saskatchewan

I have the honour to submit herewith the Annual Report of the Saskatchewan Grain Car Corporation for the fiscal year ending July 31, 2011 in accordance with *The Saskatchewan Grain Car Corporation Act*. The Financial Statements are in the form approved by Treasury Board and have been duly certified by auditors for the Corporation.

Respectfully submitted,

Hon. James Reiter
Minister Responsible for the
Saskatchewan Grain Car Corporation

President's Message

September 30, 2011

The Honourable James Reiter
Chairman of the Board

Dear Sir:

As President of the Saskatchewan Grain Car Corporation (SGCC), I am pleased to present the Annual Report for the fiscal year ending July 31, 2011.

The mandate of the SGCC is to "maximize the economic benefits to Saskatchewan agriculture as a first priority, other Saskatchewan industries as a second priority, and the province in general, through the effective and efficient use of its resources."

To this end, on November 9, 2010, we announced that the SGCC would give priority to leasing hopper cars to Saskatchewan shortline railways. This change is aimed at focusing the benefits of provincial ownership of hopper cars directly to producers and shortline railways in Saskatchewan.

Moreover, in the 2011/12 Provincial Budget, responsibility for the financial administration of the Shortline Railway Sustainability Grant Program was transferred from the Ministry of Highways and Infrastructure to the SGCC.

In addition to these new initiatives, the SGCC has had a solid performance in its core operations of supplying high quality hopper cars for the transportation of western grains.

Alternate use revenues have increased to $1,470,636 in the 2010/11 fiscal year. This is an 18.1 percent increase over the previous year. Approximately 312,000 tonnes were hauled in alternate use service.

Statutory grain movements accounted for 76% of all the grains and oilseeds tonnage moved in SGCC cars in 2010/11. SGCC hopper cars hauled 985,854 tonnes in statutory grain movements, up 4.1% from the previous crop years 946,619 tonnes. It is estimated that the provision of the SGCC hopper cars has saved western Canadian farmers $4.65 million in the 2010/11 crop year.

Finally, to ensure continued success into the future, we budgeted $500,000 in this fiscal year to continue the repainting of the SGCC hopper car fleet to address corrosion issues with some of our hopper cars. We anticipate that as a result of this investment approximately 70 additional hopper cars will be repainted.

Much has been accomplished in this fiscal year and we will continue to explore new opportunities to benefit the Saskatchewan economy.

Robert (Bob) Mason
President and CEO

Quick Facts
Saskatchewan Grain Car Corporation

as of July 31, 2011

Corporation Established	Oct 2, 1979
Office	Regina

Board of Directors

James Reiter, Chairperson,

Bob Bjornerud, Vice Chairperson

Fleet

Cars in service	904
Cars allocated to CN (SKNX 397000-397476)	416
Cars allocated to CPR (SKPX 625000-625522)	488
Cars destroyed to date	96
Car volume	128.8 m3 (4550 ft3)
LD LMT (Load Limit)	101,605 kg (224,000 lbs)
LT WT (Light Weight - empty)	28,123 kg (62,000 lbs)
Gross Weight	129,728 kg (286,000 lbs)
Material	Steel
Lining	Epoxy
Dates built	February, 1981 to October, 1981
Service Life Remaining	19 years

Financial

Tangible capital assets as of July 31, 2011 – Hopper cars	$12,595,637
Total dividends paid to the General Revenue Fund to date	$15,000,000

Governing Legislation & Lease Agreements

The Saskatchewan Grain Car Corporation Act
Operating Agreement with CN, CPR, and CWB
Alternate Use Agreement with CN and CPR

Corporate Profile

Profile

In 1981, the Government of Saskatchewan made a strategic investment of approximately $55,000,000 in Canada's grain transportation system by purchasing 1,000 covered hopper cars for the movement of export grain grown by western producers. This investment led to the development of the Saskatchewan Grain Car Corporation (SGCC) a Treasury Board Crown Corporation established under the authority of t*he Saskatchewan Grain Car Corporation Act*.

Mission

The Saskatchewan Grain Car Corporation will maximize the economic benefits to Saskatchewan agriculture as a first priority, other Saskatchewan industries as a second priority, and the province in general, through the effective and efficient use of its resources.

Vision

To have an effective, efficient and affordable grain handling and rail transportation system that is the best in the world.

Mandate

In partnership with farmers, and community groups, and in cooperation with shippers and railroads enhance the effectiveness and efficiency of transporting and handling grain.

Values

We believe that through innovation and, by using the assets and intellectual capital resident in the Saskatchewan Grain Car Corporation, we can improve the agricultural economy of Saskatchewan by ensuring that producers have influence on grain transportation policies and practices and that producers benefit from modernization of the grain logistics system

The Saskatchewan Grain Car Corporation is a workplace of choice because we value creativity, fairness, honesty, excellence, accountability, and personal development, as the most important priorities for our jobs and our working relationships

Corporate Report

The Saskatchewan Grain Car Corporation's (SGCC) mission is to use its resources to maximize the economic benefit to Saskatchewan agriculture as a first priority and for other industries and the province in general as a second priority. In order for the Corporation to remain focused on these priorities, management must be centered on the core hopper car fleet management business while keeping up to date and involved in new innovations and developments in the industry.

The 2010/11 fiscal year has proved to be a very interesting and challenging time for the Corporation. The Corporation's main focus was on managing the 904 steel covered hopper cars.

Management of the Hopper Car Fleet

Utilization of SGCC Fleet

The Corporation's management continues to monitor and work with the railways to ensure that the hopper car fleet is being utilized to its maximum potential under the existing operating agreements.

The SGCC was able to meet its core mandate of ensuring that the hopper car capacity is made available to western farmers for the transportation of their grain to export position.

The 2010/11 crop year saw overall grain volumes moved in SGCC hopper cars increase from the 2009/10 crop year. 1,297,818 tonnes of grain are estimated to have been hauled in SGCC hopper cars in 2010/11 as compared to 1,260,891 tonnes in the previous year. This equates to a year over year increase of approximately 2.9%.

Alternate use revenues are received for grain moved to domestic destinations throughout Canada, the United States and Mexico.

Total alternate use revenues for the SGCC in the 2010/11 fiscal year were $1,470,636 up 18.1% from the $1,244,944 in the 2009/10 fiscal year.

The increase in revenues is a reflection of an increase in the length of time each railcar spends on each trip. Overall the number of trips SGCC hopper cars were used in declined slightly (30 trips) year over year. The duration of each trip however increased by approximately 4 days or by 19.4 percent.

This increase in trip time is a reflection of increased congestion in the rail system caused by the rebound in rail traffic volumes from the low in 2008, coupled with weather related line closures throughout the year.

Summary of Key Activities

Management of the SGCC Fleet

- 2.9% increase in overall tonnage hauled by the SGCC hopper car fleet.
- 18.1% increase in alternate use revenues for grain movements to domestic destinations throughout Canada, the United States and Mexico.
- Duration of alternate use trips increased by 19.4% from 20.5 days in 2009/10 to 24.5 days in 2010/11.
- Lease negotiations commenced with Saskatchewan shortlines for a portion of the SGCC hopper car fleet.
- $500,000 budgeted toward repainting hopper cars.

West Central Road & Rail Ltd. (WCRR)

- Contracted and shipped 360,081 metric tonnes.
- Dinsmore facility opened in fall 2010.
- Offer an Enhanced Producer Car Loading Program across the Prairie Provinces to allow producer car loaders beyond delivery distance of WCRR loading facilities, the opportunity to access their unique programs.

Consulting Services

- SGCC provide consulting services to the Ministry of Highways and Infrastructure in the areas of rail policy.

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Corporate Report

In 2010/11 the decision was made to give priority to leasing its hopper cars to Saskatchewan Shortline railways. By leasing provincial hopper cars directly to Saskatchewan shortlines, the benefits of provincial ownership of the cars is focused to producers and shortline railways in Saskatchewan.

Lease negotiations commenced with Saskatchewan shortlines for a portion of the SGCC hopper car fleet.

In September 2004 the SGCC commissioned a report from AllTranstek L.L.C (AllTranstek), the largest railroad management and consulting firm in North America, to undertake an inspection of the general mechanical condition of a sample of the SGCC hopper car fleet. The goal of this inspection was to identify and report on repair and maintenance issues.

One of the recommendations resulting from this report was to paint the exterior of specific cars to address corrosion issues.

Based on this recommendation, in 2007 the SGCC painted 110 hopper cars.

In 2010/11the SGCC budgeted $500,000 to continue the repainting of the SGCC hopper car fleet to address corrosion issues with some hopper cars.

It is anticipated that as a result of this investment approximately 70 hopper cars will be repainted.

Grain Handling and Transportation Advisory Services

In the 2010/11 fiscal year, SGCC continued its involvement in various western Canadian transportation and grain handling initiatives and projects. Some of the projects and initiatives that the Corporation was involved in over the past year include the following:

1.West Central Road & Rail Ltd.

To address the shift to just-in-time delivery, the SGCC, in partnership with West Central Road & Rail (WCRR), Golden Prairie Short Line Rail Co-operative and other stakeholders, initiated the Grain Logistics Pilot Project in 1999.

The goal of Phase I of the Pilot Project was to determine if cost savings were possible in grain transportation by using modern logistical practices to improve efficiency. A number of studies were done in Western Canada to examine the grain handling and transportation system and it was determined that savings of $10 to $20 a tonne savings could be achieved.

Phase II of the Grain Logistics Pilot Project was to implement the findings of Phase I. To assist in this implementation, the SGCC made a $400,000 investment in WCRR.

The part most apparent to the public is the construction of producer loading facilities at Eston, Laporte, Lucky Lake and Beachy. The introduction of virtual computer blending of grain and the WCRR logistics practices has been able to increase producer returns by an average of $10 to $20 per tonne depending on the blending opportunities available during the crop year.

WCRR undertook a successful share offering in 2009/10 and used the proceeds to construct a fifth facility at Dinsmore. The Dinsmore facility opened in fall 2010. The Dinsmore facility, like the facilities in Eston and Laporte, has on site storage sufficient to fill 30 hopper cars.

The 2010/11 fiscal year was a successful one for WCRR. WCRR is currently operating five facilities along the rail network: Eston, Laporte, Lucky Lake, Beachy and Dinsmore. In 2010/11 WCRR contracted and shipped 360,081 metric tonnes

In addition to its facility expansion, WCRR offers an Enhanced Producer Car Loading

Program across the Prairie Provinces. This program gives producer car loaders beyond delivery distance of WCRR loading facilities, the opportunity to access the unique programs of WCRR. The Enhanced Producer Car Program includes:

- Optimized virtual blending of grain
- A contractual grade and protein guarantee
- Up to 90% advance payment upon receipt and confirmation of shipping sample
- On-Farm inventory tracking
- Identity preserved logistics
- Quality control measures

2. Consulting Services

In 2010/11 the SGCC entered into a contract to provide consulting services to the Ministry of Highways and Infrastructure in the areas of rail policy. Consulting services have been provided for the following:

- Level of Service Review
- Review of Interswitching Regulations
- Consultation on Methodology for Determining Pension Contributions under Revenue Cap
- Cost of Capital Review
- Annual Revenue Cap Adjustment

Operations Overview

The SGCC hopper car fleet consists of 904 hopper cars with a cubic capacity of 4550 cubic feet and a total load limit of 101,605kg (224,000lbs.)

Canadian National Railway Ltd. (CN) and Canadian Pacific Railway Ltd. (CPR) have an assigned percentage of the Corporation's hopper car fleet. This allocation can be adjusted on a bi-annual basis based on the total tonnes handled by each railway in the most recent five year period. At the start of the 2009/10 fiscal year, CN has 417 and CPR had 490 hopper cars assigned, respectively.

Throughout the year, CN had 1 car destroyed due to derailments and CPR had 2 cars destroyed, leaving them with 416 and 488 hopper cars respectively. A detailed summary of the destroyed cars can be found on page 28 of this report.

The railway responsible for a destroyed hopper car is required to compensate the Corporation based on the guidelines defined by the Association of American Railroads (AAR). The compensation received for the destroyed hopper cars is placed into a Reserve Fund to be used for the replacement and refurbishment of the SGCC fleet.

The Corporation's staff continues to use a computerized car tracking system to monitor the day-to-day movements of the fleet, enabling them to identify such things as inactive cars, bad orders and determining the destinations of movements for billing purposes.

This system assists in identifying issues around the timely repair of hopper cars, notification of destroyed cars leased to the railways, and identifying periods where the cars can be utilized for commercial leasing.

The Corporation's hopper car fleet is utilized for both statutory and commercial movements. The majority of the movements are statutory grain movements. They originate in western Canada and are destined for export through port facilities in Thunder Bay, Churchill, Prince Rupert and Vancouver. These movements are defined in the 1981 Operating Agreement between SGCC, the Canadian Wheat Board (CWB), CN and CPR. The SGCC provides its hopper cars free of charge for all statutory grain movements.

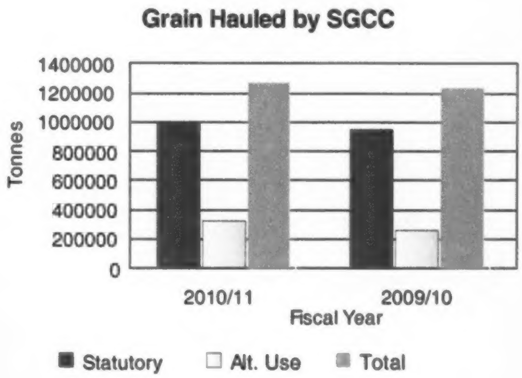
The commercial movements are all grain movements destined to the U.S. and Mexico or to non-export points in Canada or non-grain commodities such as potash, to all destinations. Commercial movements are subject to full commercial lease rates.

2010/11 Fleet Highlights

- 416 hopper cars on CN Lines
- 488 hopper cars on CPR Lines
- 3 hopper cars destroyed
- 96 hopper cars destroyed to date

Hopper Car Activity

The 2010/11 crop year saw grain volumes moved in SGCC hopper cars increase from the 2009/10 crop year. 1,297,818 tonnes of grain are estimated to have been hauled in SGCC hopper car as compared to 1,260,891 tonnes in the previous year. This equates to a year over year increase of approximately 2.9%.



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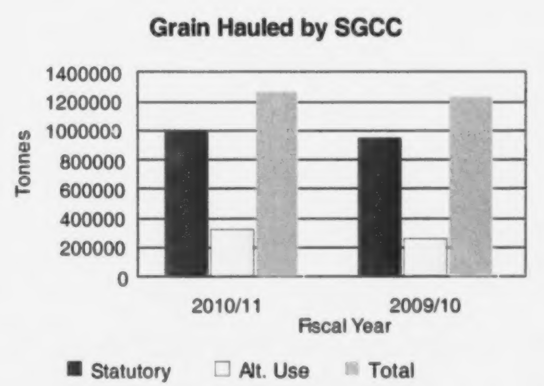


Operations Overview

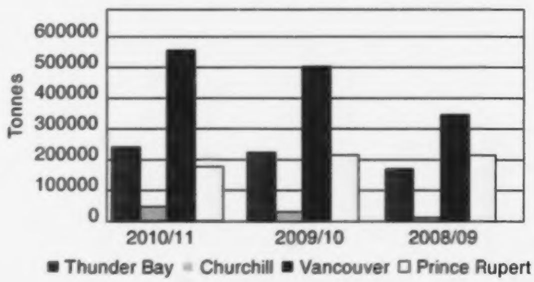
Statutory Grain Service

Statutory movements are allowed under the original 1981 Operating Agreement between the SGCC, CN, CPR and CWB in which the rail companies are allowed to use the Corporation's cars free of charge to move the six major grains from the Prairie Provinces to port locations at Thunder Bay, Churchill, Vancouver and Prince Rupert for export. The six major grains covered under the original 1981 agreement included: Wheat/Durum, Oats, Barley, Rye, Flax, and Canola. As the agricultural sector has diversified and evolved this list was expanded and now includes approximately 60-grain crops or products as listed under Schedule II of the Canada Transportation Act. Movements of these Schedule II commodities, to western Canadian ports for export, are considered statutory movements and the railways are allowed to use SGCC hopper cars at no charge

Canada Grain Commission (CGC) statistics reported total statutory movements in SGCC hopper cars of 985,854 tonnes in 2010/11 as compared to 946,618 tonnes in the previous crop year. This is a 4.1% increase in statutory movements. Statutory grain service accounted for 76% of all grains and oilseeds tonnage moved in 2010/11.

	2010/11		2009/10	
	Total Tonnage	Total Trips	Total Tonnage	Total Trips
Wheat	488,276.78	5100	474,082.67	4968
Durum	121,526.16	1266	106,709.41	1119
Oats	4,956.56	68	6,422.39	87
Barley	47,145.79	574	4,853.40	535
Rye	2,609.46	29	1,348.42	15
Flax	11,241.81	150	19,359.25	253
Canola	10,097.55	3981	293,842.07	3758
Total	985,854	11,168	946,617	10,735

Statutory Grain Service Destination



Operations Overview

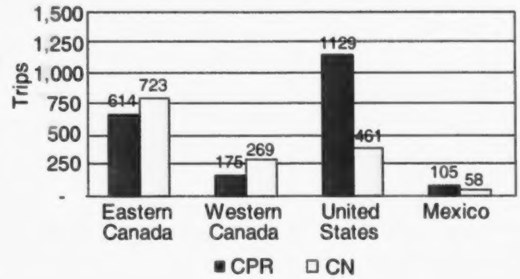
Alternate Use/Commercial Service

Alternate use movements are those hopper car movements outside the parameters of the 1981 Operating Agreement. The Corporation has formal alternate use agreements signed with CN and CPR allowing the railways to transport commodities when the SGCC hopper cars are not required in statutory grain service. The majority of the movements are for the carriage of the six major grains to domestic destinations throughout Canada, the United States and Mexico.

Alternate use revenues for grain movements to domestic destinations throughout Canada, the United States and Mexico in the 2010/11 fiscal year were $1,470,636 up 18.1% from the $1,244,944 in the 2009/10 fiscal year. Overall the number of trips SGCC hopper cars were used in declined slightly (30 trips) year over year. The length of each trip however increased by approximately 4 days or by 19.4 percent.

The railways pay the SGCC a daily lease fee for the use of its hopper cars in alternate service. This increase in trip time is a reflection of increased congestion in the rail system caused by the rebound in rail traffic volumes from the low in 2008, coupled with weather related line closures throughout the year. Overall the average trip in 2010/11 was 24.5 days as compared to 20.5 days in the previous year. As a result of these longer trips, SGCC revenues have increased accordingly.

Commercial Service Destinations 2010/11



Destination	2010/11 Trips	2009/10 Trips
Eastern Canada	1337	1514
Western Canada	444	319
United States	1,590	1,568
Mexico	163	163
Total	3,534	3,564

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	[illegible]		[illegible]	
	Total [illegible]	Total [illegible]	Total [illegible]	Total Trip
Wheat	488,276.78	5100	474,082.67	4968
Durum	121,526.16	1266	106,709.41	1119
Oats	4,956.56	68	6,422.39	87
Barley	47,145.79	574	4,853.40	535
Rye	2,609.46	29	1,348.42	15
Flax	11,241.81	150	19,359.25	253
Canola	10,097.55	3981	293,842.07	3758
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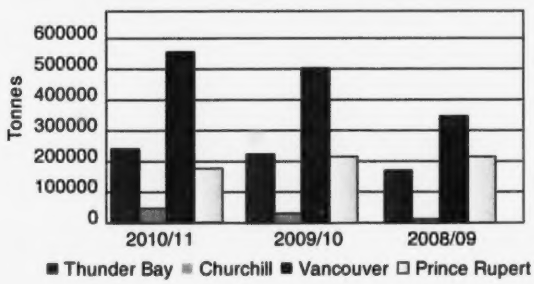

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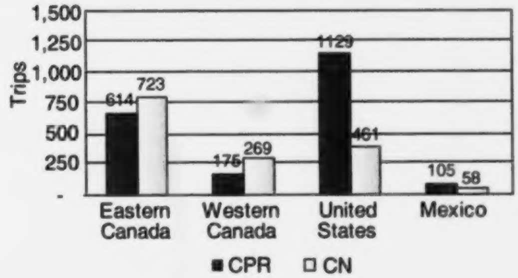

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Total	3,534	3,564

Management's Report

The accompanying financial statements have been prepared by management of the Saskatchewan Grain Car Corporation. These financial statements have been prepared in conformity with generally accepted accounting principles in Canada, consistently applied using management's best estimates and judgment where appropriate. Management is responsible for the reliability and integrity of the Financial Statements and other information contained in the Annual Report.

The integrity of financial records from which these financial statements are prepared is largely dependent on the systems of internal accounting controls. The purpose of such systems is to provide reasonable assurance that transactions are executed in accordance with proper authorization, transactions are appropriately recorded in order to permit preparation of accurate financial statements and assets are properly accounted for and safeguarded against loss from unauthorized use. Underlying this concept of reasonable assurance is the fact that limitations exist in any system of internal accounting controls based on the premise that the cost of such controls should not exceed the benefits derived.

Management believes that the financial statements in this Annual Report present fairly the financial position of the Corporation for the year ending July 31, 2011.

The Board of Directors has fulfilled its responsibility with respect to the financial position of the Corporation by reviewing and approving the financial statements for the year ending July 31, 2011.

The financial statements have been audited by the Corporation's external auditors, Skilnick Miller Moar Grodecki & Kreklewich, Chartered Accountants, and approved by the Provincial Auditor and the Provincial Comptroller's Division of Saskatchewan Finance.

Robert (Bob) Mason
Regina, Saskatchewan
October 30, 2011

Independant Auditor's Report

To the Members of the Legislative Assembly
Province of Saskatchewan

Report on the Consolidated Financial Statements

We have audited the accompanying financial statements of Saskatchewan Grain Car Corporation which comprise the statement of financial position as at July 31, 2011 and the statement of operations and net assets, change in net financial assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Saskatchewan Grain Car Corporation as at July 31, 2011 and the results of its operations and net assets, change in net financial assets, and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Skilnick Miller Moar Grodecki + Kreklewich

SKILNICK MILLER MOAR GRODECKI & KREKLEWICH
Chartered Accountants

Melville, Saskatchewan
October 4, 2011

Statement of Financial Position

as at July 31, 2011.

Statement 1

		2011		2010
FINANCIAL ASSETS				
Cash (Note 2)	$	327,907	$	7,709
Due from General Revenue Fund (Notes 4 & 7)		4,945,232		4,327,184
Accounts receivable (Note 7)		445,671		371,812
Other investments (Notes 2 & 6)		407,349		407,349
TOTAL FINANCIAL ASSETS	$	6,126,159	$	5,114,054
LIABILITIES				
Accounts payable and accrued liabilities	$	104,940	$	57,993
Goods and services tax payable		5,290		5,326
Security Deposit		68,805		Nil
Deferred fleet revenue (Note 2, 3, & 7)		822,874		783,992
TOTAL LIABILITIES	$	1,001,909	$	847,311
NET FINANCIAL ASSETS – STATEMENT 3	$	5,124,250	$	4,266,743
NON-FINANCIAL ASSETS				
Tangible capital assets (Notes 2 & 5)	$	12,595,637	$	13,889,670
Prepaid expense	$	2,983	$	4,583
TOTAL NON-FINANCIAL ASSETS	$	12,598,620	$	13,894,253
NET ASSETS – STATEMENT 2	$	17,722,870	$	18,160,996

Approved on behalf of the Board:

Jim Reiter
Chairperson of the Board

(See Accompanying Notes to Financial Statements)

Statement of Operations and Net Assets
For the Year Ended July 31, 2011.

Statement 2

	2011 Budget	2011	2010
REVENUES			
Car leasing - Alternate use (Note 3)	$ 1,400,000	$ 1,471,886	$ 1,244,944
Interest (Notes 4 & 8)	18,000	39,217	9,945
Fleet revenue (Note 7)	500,000	65,596	Nil
Model car royalties	1,000	399	1,963
Consulting Revenue	50,000	48,903	62,885
TOTAL REVENUES	$ 1,969,000	$ 1,626,001	$ 1,319,737
EXPENSES			
Administration (Schedule 1)	$ 182,000	$ 120,024	$ 77,618
Amortization (Notes 2 & 5)	1,250,000	1,249,688	1,255,910
Destroyed grain cars - fleet assets	73,000	44,345	41,877
Fleet repair and maintenance	500,000	65,596	7,223
Salaries and benefits (Notes 8 & 9)	575,000	551,237	390,108
Travel and sustenance	40,000	33,237	10,486
TOTAL EXPENSES	$ 2,620,000	$ 2,064,127	$ 1,783,222
(DEFICIT) SURPLUS FOR THE YEAR	$ (651,000)	$ (438,126)	$ (463,485)
Net Assets, beginning of year		18,160,996	18,624,481
Dividends paid to the General Revenue Fund		Nil	Nil
NET ASSETS, END OF YEAR		$ 17,722,870	$ 18,160,996

(See Accompanying Notes to Financial Statements)

Statement of Change in Net Financial Assets
For the Year Ended July 31, 2011.

Statement 3

		2011		2010
Deficit for the year	$	(438,126)	$	(463,485)
Change in non-financial assets				
Tangible capital assets				
Amortization		1,249,688		1,255,910
Destroyed grain cars - fleet assets		44,345		41,877
Decrease (Increase) in prepaid expenses	$	1,600	$	(4,583)
Net change in non-financial assets	$	1,295,633	$	1,293,204
Increase in net financial assets		857,507		829,719
Net financial assets, beginning of year		4,266,743		3,437,024
Dividend paid to General Revenue Fund		Nil		Nil
NET FINANCIAL ASSETS, END OF YEAR	$	5,124,250	$	4,266,743

(See Accompanying Notes to Financial Statements)

Statement of Cash Flows
For the Year Ended July 31, 2011.

Statement 4

	2011	2010
OPERATING ACTIVITIES		
Deficit for the year	$ (438,126)	$ (463,485)
Non-cash items included in surplus (deficit) for the year:		
Amortization	1,249,688	1,255,910
Destroyed grain cars - fleet assets	44,345	41,877
Change in non-cash operating activities:		
(Increase) in accounts receivable	(73,859)	(245,915)
Increase in accounts payable and accrued liabilities	46,947	40,145
(Decrease) Increase in goods and services tax payable	(36)	5,391
Increase in security deposit	68,805	Nil
Increase in deferred fleet revenue	38,882	72,285
Decrease (Increase) in prepaid expenses	1,600	(4,583)
Cash provided by operating activities	$ 938,246	$ 701,625
CAPITAL ACTIVITIES	$ Nil	$ Nil
INVESTING ACTIVITIES	$ Nil	$ Nil
FINANCIAL ACTIVITIES		
Dividends paid to General Revenue Fund	$ Nil	$ Nil
INCREASE IN CASH AND CASH EQUIVALENTS	$ 938,246	$ 701,625
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	4,334,893	3,633,268
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 5,273,139	$ 4,334,893

SUMMARY OF CASH AND CASH EQUIVALENTS

Cash	$ 327,907	$ 7,709
Due from General Revenue Fund	4,945,232	4,327,184
	$ 5,273,139	$ 4,334,893

(See Accompanying Notes to Financial Statements)

Notes to Financial Statements
July 31, 2011.

1. STATUS OF THE CORPORATION

The Saskatchewan Grain Car Corporation is a Provincial Crown Corporation established on October 2, 1979 by Order-in-Council 1787/79. The Corporation continues under the authority and provisions of *The Saskatchewan Grain Car Corporation Act.*

The Corporation's mission is to maximize the economic benefits to Saskatchewan agriculture as a first priority, other Saskatchewan industries as a second priority, and the Province in general, through the effective and efficient use of its resources.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

Pursuant to standards established by the Public Sector Accounting Board (PSAB), the Corporation is classified as an other government organization. These financial statements are prepared in accordance with Canadian generally accepted accounting principles for the public sector. The significant accounting policies are as follows:

a) Revenue

Revenues from car operating leases are recognized as the services are provided to the lessee and collection is reasonably assured.

Fleet revenue for destroyed grain cars, including interest earned on externally restricted funds, are recognized in the year when disbursements are made to purchase, upgrade, repair and maintain the grain car fleet.

b) Tangible Capital Assets

Tangible capital assets are recorded at cost and include all amounts directly attributable to the purchase or the betterment of the grain car fleet. Normal maintenance and repairs are expensed as incurred. Capital assets are amortized on a straight-line basis over their estimated useful lives of 40 years.

c) Investments

The investment in shares of West Central Road & Rail Ltd. are recorded at cost, and dividends from these shares are recorded as revenue when receivable.

d) Foreign Currency

The Corporation translates its foreign currency transactions into Canadian dollars by applying the exchange rate in effect on the transaction date. Monetary assets and liabilities are adjusted to reflect the exchange rate in effect at the reporting date. Exchange gains and losses are recognized in the Statement of Operations in the current period.

e) Measurement Uncertainty

The preparation of financial statement in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

Notes to Financial Statements

3. OPERATING AGREEMENTS

The Corporation entered into Operating Agreements from August 1, 2010 to July 31, 2011 with Canadian National Railway Company and Canadian Pacific Railway Limited which allows the railways to lease the Corporation's cars free of charge for the Movement of Grain. Movement of Grain refers to the movement to port of grain products as listed under the *Canada Transportation Act*.

The railway may lease the Corporation's cars for commercial service provided the cars are surplus to the requirements for Movement of Grain. Commercial service includes the carriage of grain at non-regulated freight rates as well as the carriage of other bulk commodities, such as potash.

The railways are responsible for maintaining and repairing the Corporation's cars at their own expense in accordance with Transport Canada, Federal Railway Administration and Association of American Railroads (AAR) Rules.

In the event that one of the Corporation's cars is damaged beyond economic repair, the railways are required to compensate the Corporation for the value of the car in accordance with Rule 107 of the Interchange Rules Manual of the AAR. All amounts received from the railways as compensation for destroyed grain cars are recorded as deferred fleet revenue.

As of August 1, 2011, the rail cars previously leased to Canadian National Railway Company will now be leased to Last Mountain Railway, a Saskatchewan based shortline railway.

4. DUE FROM GENERAL REVENUE FUND

Most of the Corporation's bank accounts are included in the Consolidated Offset Bank Concentration (COBC) arrangement for the Government of Saskatchewan. The Corporation's earned interest is calculated and paid by the General Revenue Fund on a quarterly basis into the Corporation's bank account using the Government's thirty day borrowing rate and the Corporation's average daily bank balance. The Government's average thirty day borrowing rate for 2010/2011 was 1.01% (2009/2010 0.31%).

5. TANGIBLE CAPITAL ASSETS

The Corporation purchased 1,000 covered hopper cars in 1981. As of July 31, 2010, 96 cars have been destroyed; the remaining 904 cars are in service.

Rolling Stock	Cost	Accumulated Amortization	Book Value
Balance, beginning of year	$ 50,103,464	$ 36,213,794	$ 13,889,670
Current disposal - destroyed grain cars	166,689	122,344	44,345
	49,936,775	36,091,450	13,845,325
Current Amortization - 2.5%	Nil	1,249,688	1,249,688
Balance, end of year	$ 49,936,775	$ 37,341,138	$ 12,595,637

Notes to Financial Statements

6. INVESTMENT IN SHARES OF WEST CENTRAL ROAD & RAIL LTD.

The Corporation owns 4,000 Class "E" shares of the capital stock of West Central Road & Rail Ltd. This equity investment represents the Corporation's commitment to support the Research and Development aspects of Phase II (the demonstration phase) of the Grain Logistics Pilot Project. Phase II of the Pilot Project is intended to provide complete logistical services from farm-gate to port in the case of export movements, and farm-gate to commercial processing facility in the case of movements to domestic destinations throughout North America.

The Class "E" shares are transferable, non-voting except for the entitlement to elect 2 of 13 directors and participate equally in dividends and the distribution of assets on liquidation or wind-up. As per the agreement, the issuer may repurchase or the Corporation may retract a minimum of 1,000 shares at their fair market value as established by an independent appraiser.

7. DEFERRED FLEET REVENUE AND RESTICTED FUNDS

In accordance with the operating agreements described in Note 3, compensation for destroyed grain cars received from Canadian National Railway Company and Canadian Pacific Railway Limited is recorded as deferred fleet revenue as the agreements specify that the funds must be used for future purchase, upgrade, repair and maintenance of the grain car fleet.

The amounts for deferred fleet revenue and restricted funds are as follows:

	2011	2010
Deferred Revenue, Beginning of Year	$ 783,992	$ 711,707
Add restricted funds received:		
Compensation for destroyed grain cars (Note 3)	74,078	70,126
Compensation for damaged grain cars	23,130	Nil
Interest allocated (Notes 2, 4 & 8)	7,270	2,159
	888,470	783,992
Deduct fleet revenue recognized:		
Fleet repair and maintenance	65,595	Nil
	65,595	Nil
Deferred Fleet Revenue, End of Year	$ 822,875	$ 783,992

Restricted Funds	2011	2010
Due from General Revenue Fund	$ 540,906	$ 710,249
Cash	$ 234,885	Nil
Accounts receivable	47,083	73,743
	$ 822,874	$ 783,992

Notes to Financial Statements

8. RELATED PARTY TRANSACTIONS

These financial statements include transactions with related parties. The Corporation is related to all Saskatchewan Crown Agencies such as ministries, corporations, boards and commissions under the common control of the Government of Saskatchewan. Also, the Corporation is related to non-crown enterprises that the Government jointly controls or significantly influences.

Routine operating transactions with related parties are recorded at the rate charged by those organizations and are settled on normal trade terms.

		2011		2010
Deferred Fleet Revenue				
Government of Saskatchewan				
(General Revenue Fund)				
Interest	$	7,270	$	2,159
Revenues				
Government of Saskatchewan				
(General Revenue Fund)				
Interest	$	39,217	$	9,945
Expenses				
Ministry of Highways and Infrastructure				
Salaries and Benefits	$	Nil	$	15,994
Information Technology Office				
Computer maintenance	$	10,377	$	8,111
Telecommunications	$	656	$	123
Ministry of Government Services				
Rent – office space	$	38,760	$	37,902
Printing and copying	$	454	$	387
Office Supplies	$	Nil	$	91
Consulting Services	$	671	$	Nil
Central Vehicle Agency	$	13,494	$	Nil
Saskatchewan Telecommunications				
Telecommunications	$	5,241	$	3,951
Workers' Compensation Board (Saskatchewan)				
Salaries and benefits	$	3,001	$	2,310

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and the notes thereto.

Notes to Financial Statements

9. PENSION PLAN

The Corporation participates in a defined contribution pension plan for the benefit of its employees. The Corporation's financial obligation to the Capital Pension Plan (related party) is limited to making regular payments to match the amounts contributed by employees for current service. The Corporation's annual pension expense for 2011 amounted to $32,733 (2010 - $22,253).

SCHEDULE OF ADMINISTRATION EXPENSES
For the Year Ended July 31, 2011.

Schedule 1

	2011 Budget	2011	2010
Advertising and promotion	$ 5,000	$ 320	$ Nil
Bank charges	500	119	127
Computer maintenance (Note 8)	18,000	10,377	8,111
Computer software (Note 8)	2,000	819	819
Conferences and professional development	10,000	5,413	4,041
Consulting services (Note 8)	25,000	19,414	1,331
Miscellaneous	2,000	2,822	1,053
Office equipment and supplies (Note 8)	3,500	3,156	939
Printing, copying, postage and courier (Note 8)	4,000	5,397	2,991
Professional services	35,000	11,281	8,906
Rent - office space (Note 8)	60,000	45,808	41,802
Subscriptions and memberships	10,000	9,449	3,547
Telecommunications (Note 8)	7,000	5,649	3,951
TOTAL - TO STATEMENT 2	$ 182,000	$ 120,024	$ 77,618

(See Accompanying Notes to Financial Statements)

Statistical Summary

Year as of July 31, 2011	Cars in Service CN	Cars in Service CP	Cars in Service Total	Cars Destroyed CN	Cars Destroyed CP	Cars Destroyed Total	Leasing Revenues	
1979/80								
1980/81	477	273	750					
1981/82	477	523	1,000				$ 56,294	
1982/83	477	523	1,000				$ 11,850	
1983/84	475	523	998	2		2		
1984/85	475	523	998					
1985/86	475	523	998					
1986/87	474	523	997	1		1		
1987/88	474	523	997					
1988/89	474	523	997				$ 1,099,441	
1989/90	474	523	997				$ 92,310	
1990/91	474	523	997	1		1	$ 146,343	
1991/92	473	522	995		1	1	$ 268,342	
1992/93	473	522	995				$ 326,047	
1993/94	472	522	994	1		1	$ 816,083	
1994/95	472	518	990		4	4	$ 628,807	
1995/96	470	514	984	2	4	6	$ 946,233	
1996/97	468	514	982	2		2	$ 991,526	
1997/98	468	509	977		5	5	$ 1,089,116	(See note 1, page 27)
1998/99	468	509	977				$ 1,305,593	
1999/00	464	508	972	4	1	5	$ 1,189,104	(See note 2, page 27)
2000/01	458	498	956	6	10	16	$ 1,304,835	
2001/02	455	498	953	3		3	$ 1,033,158	
2002/03	454	497	951	1	1	2	$ 1,315,865	
2003/04	442	497	939	12		12	$ 1,766,041	
2004/05	440	494	934	2	3	5	$ 1,543,736	
2005/06	434	494	928	6		6	$ 1,064,115	
2006/07	429	493	922	5	1	6	$ 1,629,790	
2007/08	424	491	915	5	2	7	$ 1,864,169	
2008/09	419	491	910	5		5	$ 1,093,967	
2009/10	417	490	907	2	1	3	$ 1,224,944	
2010/11	416	488	904	1	2	3	$ 1,470,636	
Total	**416**	**488**	**904**	**61**	**35**	**96**	**$ 24,298,345**	

Statistical Summary

Year as of July 31, 2011	Cars In Service			Cars Destroyed			Leasing Revenues	
	CN	CP	Total	CN	CP	Total		
1979/80								
1980/81	477	273	750					
1981/82	477	523	1,000				$ 56,294	
1982/83	477	523	1,000				$ 11,850	
1983/84	475	523	998	2		2		
1984/85	475	523	998					
1985/86	475	523	998					
1986/87	474	523	997	1		1		
1987/88	474	523	997					
1988/89	474	523	997				$ 1,099,441	
1989/90	474	523	997				$ 92,310	
1990/91	474	523	997	1		1	$ 146,343	
1991/92	473	522	995		1	1	$ 268,342	
1992/93	473	522	995				$ 326,047	
1993/94	472	522	994	1		1	$ 816,083	
1994/95	472	518	990		4	4	$ 628,807	
1995/96	470	514	984	2	4	6	$ 946,233	
1996/97	468	514	982	2		2	$ 991,526	
1997/98	468	509	977		5	5	$ 1,089,116	(See note 1, page 27)
1998/99	468	509	977				$ 1,305,593	
1999/00	464	508	972	4	1	5	$ 1,189,104	(See note 2, page 27)
2000/01	458	498	956	6	10	16	$ 1,304,835	
2001/02	455	498	953	3		3	$ 1,033,158	
2002/03	454	497	951	1	1	2	$ 1,315,865	
2003/04	442	497	939	12		12	$ 1,766,041	
2004/05	440	494	934	2	3	5	$ 1,543,736	
2005/06	434	494	928	6		6	$ 1,064,115	
2006/07	429	493	922	5	1	6	$ 1,629,790	
2007/08	424	491	915	5	2	7	$ 1,864,169	
2008/09	419	491	910	5		5	$ 1,093,967	
2009/10	417	490	907	2	1	3	$ 1,224,944	
2010/11	416	488	904	1	2	3	$ 1,470,636	
Total	**416**	**488**	**904**	**61**	**35**	**96**	**$ 24,298,345**	

Notes to Statistical Summary

1. Revenue adjustments for 1997/98 fiscal year

Car leasing revenue recognized as per 1997/98 Financial Statement	$ 1,507,271
• Bad debt allowance as shown in 1997/98 Financial Statement	($ 160,000)
• Bad debt allowance as shown in 1998/99 Financial Statement	($ 53,543)
• Settlement recovery with CP for western Canada commercial moves from 1991 to 1997 realized in 1998/99	($ 204,612)
Car leasing revenue actually realized in 1997/98	$ 1,089,116

2. Revenue adjustments for 1999/00 fiscal year

Car leasing revenue recognized as per 1999/00 Financial Statement	$ 1,639,104
• Settlement recovery with CN for western Canada commercial moves form 1991 to 1997 realized in 1999/00	($ 450,000)
Car leasing revenue actually realized in 1999/00	$ 1,189,104

Corporate Information

DEFINITIONS

Bad Orders

A bad order is a car that had been deemed mechanically unfit for service.

Car Cycles

A car cycle is the time for a car to complete a trip from origin, to destination, and back to the next origin.

Commercial Service

Commercial service is defined as the movement of any commodity not destined to port for export, or the movement of commodities to port not covered under Schedule II of *the Canada Transportation Act.* For these commercial movements the Corporation receives a lease fee.

Domestic and Export Markets

Canada, United States, and Mexico make up the domestic or North American market; the rest of the world is the export or offshore market.

Dunnage

Is the name for the materials used in holds and containers to protect goods and their packaging from moisture, contamination and mechanical damage. Dunnage may include plastic films, jute coverings, tarpaulins, wood (wooden dunnage, i.e.; pallets), rice matting, non-wovens, liner bags or also inlets etc.. Depending on the use to which it is put, dunnage may be divided into floor, lateral, interlayer and top dunnage.

Gross Weight

Total of weight of car, net load, and dunnage.

Light Weight (LT WT)

Weight of empty railroad car expressed in pounds. This figure is stenciled on the car. Also referred to as Tare Weight.

Load Limit (LD LMT)

Absolute maximum allowable weight of load, including both net weight and dunnage, that a freight car is authorized to carry. This figure is stenciled on the car.

Metric tonne

A metric tonne equals 2,204.6 pounds or 1000 kilograms, and is 10 percent larger that a 2000 pound short ton.

Phosphate Rock

Also known as phos. rock, this product is the main source of phosphoric acid for phosphate fertilizers and industrial products. A form of calcium phosphate, it also contains other materials.

Potash

Typically denotes materials containing potassium, particularly potassium fertilizer. Most fertilizer is muriate of potash (KCl), potassium chloride. Potassium combines with other minerals in specialty fertilizers.

Statutory Grain Service

Statutory grain service is the transportation of commodities which are moved to port for export as defined in Schedule II of *the Canada Transportation Act.* Under the 1981 Operating Agreement between the Saskatchewan Grain Car Corporation, Canadian Wheat Board, CN Rail, and CP Rail, the Corporation allows CN and CP to use Corporation owned cars for the movement of Schedule II commodities to port facilities in western Canada at no cost to the railways.

For additional information:

Saskatchewan Grain Car Corporation
1210 – 1855 Victoria Avenue
Regina, Saskatchewan
S4P 3T2
Telephone: (306) 787-1137
Facsimile; (306) 798-0931
Email: info@sgcc.gov.sk.ca

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For additional information:

Saskatchewan Grain Car Corporation
1210 – 1855 Victoria Avenue
Regina, Saskatchewan
S4P 3T2
Telephone: (306) 787-1137
Facsimile; (306) 798-0931
Email: info@sgcc.gov.sk.ca

Saskatchewan Grain Car Corporation
2010-11 Expenditure Disclosure

Pursuant to Financial Administration Manual Policy Section 2315

For the year ending July 31,2011

Employee receiving payments totaling $50,000 or more for salaries or wages:

	2011	2010
Robert Mason	147,937	12,269
Kelly Moskowy	126,751	120,048
Tim Shoulak	107,164	103,827
Shannon Lindholm	89,383	84,275
Total	$ 471,235	$ 320,419

Note: Mr. Robert Mason commenced employment with the corporation in July 2010.

Suppliers/consultants receiving payments totaling $50,000 or more for goods and/or services:

	2011	2010
Cowan Graphics Inc.	50,784	Nil